

# A.M.A. NEWS LETTER

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y.

FEBRUARY 26, 1938

## PLANNING PRODUCTION CONFERENCE TO FIT 'CUSTOMER SPECIFICATIONS'

**Earl M. Richards and Committee Meeting Hundreds of Production Men to Determine Best Conference Topics and Speakers**

The Production Division of the American Management Association has been laying plans for the annual Production Conference far in advance of the meeting, which will be held at the William Penn Hotel in Pittsburgh on Wednesday and Thursday, April 20-21. Earl M. Richards, Assistant to the Vice President in Charge of Operations, Republic Steel Corporation, Cleveland, Ohio, and Vice President of the Production Division, has already had several committee meetings.

Out of these meetings, and other contacts by Mr. Richards and by the Association's conference staff, 41 possible topics were developed. These topics have been classified under the following five heads: *General Management Problems, Industrial Relations, Training the Working Force, Production Methods, Plant Maintenance*. A questionnaire containing all of these topics has been sent to the 542 registrants at last year's Production Conference, as well as to all of the members of the Association's Production Division.

### Questionnaires Used

While a great deal of weeding-out must be done in order to cut the topics down to the 10 or 12 which can be accommodated in a two-day program, it was felt that this method was the best way to determine the preferences of those whom the Conference is intended to serve. The recipients of the questionnaire were requested merely to check the Conference topics which appealed to them. The purpose of the questionnaire is merely to get a statistical indication of the most important problems confronting the production field today.

A very encouraging response has already been received and a preliminary analysis has been made. As soon as the final topics are determined, Mr. Richards' committee will contact those who made the suggestions, as well as others who have made outstanding contributions in the specialties embraced by the topics, to determine the best possible speaker for each presentation.



EARL M. RICHARDS

Special cooperation this year will be obtained from the chairmen of the various sessions in the program. Final selection of these chairmen has not yet been made, but the procedure this year will be to get their acceptances at the earliest possible opportunity, so that they can take an active part in formulating the particular sessions for which they are responsible.

### Some Topics

A tentative analysis of the wishes of men active in the production field indicates that the program might be developed along the following lines: A session on "The Human Element in Production," which will embrace personnel aspects of the production problem. A session on "Organizing for Efficiency," which will take up problems of production schedules, inventories, production costs, and the like. "Organizing for Preventive Maintenance," which will discuss maintenance in the large and the small organization. And finally, an entire session on "Work Simplification."

Mr. Richards emphasizes that the above program outline is extremely tentative, and is very likely to be altered drastically.

## Study of Executive Bonuses In February PERSONNEL

While it is frequently said that companies with bonus plans pay their officers substantially below the going rate, and in periods of good earnings pay a bonus that more than makes up for the low salary in periods of poor business, examination of fixed salary payments to officers reveals little difference between the individual amounts in bonus-paying and non-bonus-paying companies, according to John Calhoun Baker in an article appearing in the February number of PERSONNEL.

Mr. Baker, who is associate director of research at the Graduate School of Business Administration of Harvard University, states that bonuses are usually in addition to substantial salaries.

Many other interesting questions on executive bonus plans are discussed by Mr. Baker. In regard to the effect of bonuses on individuals, he states:

"It is frequently assumed that the effect of bonus plans on executive officers can only be good, and therefore of corporate benefit and advantageous to stockholders. Such conclusions were generally drawn prior to publicity on these matters and without detailed information. Unless bonus plans are very carefully regulated, payments may go to individuals who have not earned them and thus may destroy their perspective as to what their contribution to the corporation has been. Also, where individual payments have been large, standards of living may be based on amounts which are bound to decrease or disappear suddenly, and at a time which might be very embarrassing. Because of bonuses, certain officers in past years have occasionally made stock purchase commitments which created disastrous situations."

### Attendance Facts

The total registration of 1,239 at the recent Personnel Conference sets a new high for attendance at any meeting of AMA. It compares with a previous high of 843, established at last year's Personnel Conference in Philadelphia. Many companies sent large groups who held company meetings each evening to discuss their own problems.

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# 330,973 A.M.A. NEWS LETTER

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## Dinner-Smoker Makes Enlightening Session

75 Questions Submitted by Registrants Reveal What's in Minds of Executives

The very definite high spot of the entire conference was the Dinner-Smoker, held on Wednesday evening, February 15. Gathered in the largest ballroom of the Palmer House were 700 executives—operating company officials of all kinds. At the speakers' table were a dozen men who have distinguished themselves as authorities in labor relations and personnel work. These men undertook to answer the questions uppermost in the minds of the audience—questions that had been secured through a question box set up during the day at the entrance to the meeting room.

For more than two hours a discussion ensued that was probably more significant than any of its kind ever held. The session was closed to the press, and allowed for complete freedom of expression. The speakers were outstanding figures in labor relations work. The questions (most of which were submitted anonymously) were direct, to the point. The panel members gave simple answers. The train of thought that ran through the discussion revealed unmistakably the problems that are uppermost in the mind of management in connection with labor relations. The answers were the most logical and thoughtful that studious practical observers could give.

### Questions Studied

The session was under the chairmanship of W. H. Winans of the Union Carbide and Carbon Corporation, who equipped himself with a gong to be used when speakers dawdled. A few hours before the meeting convened, Mr. Winans and his panel group met in private to study the questions that had been submitted. The various questions were classified and turned over in groups to the individuals on the panel who were believed best equipped to answer them. In all, 75 questions were submitted.

The members of the audience expressed complete satisfaction with the answers that were given. Unfortunately, no record of the session will be contained in the proceedings of the conference.

## 1239 AT PERSONNEL CONFERENCE URGED TO PURSUE STUDY OF HUMAN RELATIONS

Attitude of Intelligent Fairness Toward Labor Advised; Further Application of Personnel Techniques and Methods Held Essential to Development

Management will continue without stint its efforts to solve industry's human relations problems, and will meet labor's demands with an attitude of "intelligent fairness," it was indicated last week at one of the most successful labor relations conferences in the history of the American Management Association, held in Chicago, with 1239 executives in attendance.

Thomas G. Spates, Director of Industrial Relations of the General Foods Corporation and Vice President in Charge of the Personnel Division of AMA, in

keynoting the meeting declared: "Events of the past year have shown that while public opinion is friendly to the growth of trade unionism, it is opposed to the use of such methods of force as mass picketing, and is prepared to ask public officials to protect the right to work as well as the right to strike."

Alvin E. Dodd, President of the AMA, in opening the conference declared that the purpose of the meeting was to generate "light rather than heat." He pointed out that only by making better use of the tools of personnel administration can we find an adequate answer for the human problems of business.

The conference drew labor relations, personnel, production, and general operating executives from plants throughout the industrialized section of the middle west, from the east, the south, and from as far west as California. That interest in labor relations problems is steadily increasing was testified by the unusually large attendance. Each of the seven sessions filled the great ballroom of the Palmer House.

Royal F. Munger, Financial Editor of the *Chicago Daily News*, commented in his column of February 15:

"Labor would not have found the meeting antagonistic—it was practical; but any workman who could be sure of having as foreman or superintendent a man as understanding and fair as the average delegate would probably be willing to hold that job for life. It was a meeting of razor-edged minds; there was none of the casual buzz of talk so frequent at conventions. When a speaker had the floor, you could have heard a pin drop out in the lobby."

**SIDE GLANCES**—Russell L. Greenman of the U. S. Chamber of Commerce hit hardest at the National Labor Board. But Charles Fahy, General Counsel of the Board, got his chance to defend it, and did—vigorously.

\* \* \*

Royal F. Munger of the *Chicago Daily News* told the Association after the conference that following his column on the AMA meeting which was headed "FOREMAN REAL KEY TO LABOR JOB RELATIONS," he received many letters from foremen in Chicago endorsing heartily the general idea expressed in the headline.

\* \* \*

H. L. Nunn, President of the Nunn-Bush Shoe Company, with his statement that "industry has no right to purchase labor in the same unfeeling manner in which it would purchase raw materials," drew murmurs of approval from all quarters.

\* \* \*

Best discussion of collective bargaining was given by Ralph A. Lind, Labor Relations Counsel of Stevenson, Jordan & Harrison. He was formerly Director of the Cleveland Regional Labor Board.

\* \* \*

A rather unusual feature of the conference was the way in which the attendance remained high for every session. It is estimated that each session had an attendance in excess of 700 people. The planning committee saved some of the best discussion until last. Everyone wanted to hear Dr. Morris S. Viteles of the Philadelphia Electric Company for relations, and A. I. Kress of NEMA present his paper on wage payment policies.

UNIVERSITY OF WASHINGTON  
SEATTLE



This digest covers the views of various authorities. It does not include any strictly confidential information nor specific advices from the sources.

# BUSINESS CONDITI

Vol. 11, No. 2

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE, INC.	
GENERAL OUTLOOK	The current recession has been so sharp that it warrants the suspicion that a major depression has already begun and that it may continue for a considerable period with nothing more than a temporary interruption (February 12.)	Responsible business leaders believe that the present recession is only a pocket in the broader upward movement; the quieter business is now, the longer the prosperity area will last (February 14).	Business is scraping bottom; recovery forces are again expected to reassert their dominance, probably with an inflationary background, as 1938 progresses (February 5).	TH other war pick reco 12).
MONEY AND CREDIT	Excess reserves of member banks averaged \$1,367,000,000 last month and stood at \$1,390,000,000 on February 1 (February 10).	Installment sales are being extended to an ever-increasing number of items; however, the danger of installment selling going on a rampage at this time has been averted by a tightening of terms and practices (February 14).	Indications are that money rates will remain abnormally low; bonds should stabilize, particularly higher grades (February 5).	Cr ture clam been time turn 12).
SECURITY MARKETS	It is significant that the market has refused to go below the bottoms established late in 1937; persistent strength at the low levels of a decline is often evidence that the force of a bear movement has been spent (February 10).	Balance sheet and income estimates of many listed companies indicate that their stock prices are now well adjusted to present conditions (February 14).	Stocks, though remaining irregular and discouragingly uncertain some time longer, will probably experience a substantial rally, possibly developing into a wide and sustained rise (February 5).	TI writt sider pernw derw
PRODUCTION	During December the total quantity of goods produced declined to the lowest amount since February, 1936, and, with the exception of that month, to the lowest amount since August, 1935 (February 12).	For the first time in three years, volume of production is considerably below employment totals; current indications point toward a resumption of the upward movement after the temporary readjustment has run its course (February 14).	Progress toward absorbing inventories should lead to renewed buying and a rebound in production in many lines (February 5).	It Febr prov other there in th
DISTRIBUTION	Seasonal contraction of retail trade during January resulted in loss of employment for a large number of workers (February 5).	Conditions in the following cities are relatively favorable for retail selling: Boise, Idaho; El Paso, Tex.; Harrisburg, Pa.; Knoxville, Tenn.; Mobile, Ala.; Peoria, Ill.; St. Louis, Mo.; Tulsa, Okla.; Wilmington, Del. (February 14).		An prosp ness to ha be en
BUILDING	Building contracts in December showed a further recession, dropping to such a low level that manufacturers cannot expect much of a demand from this important source for some time to come (February 12).	Passage of the Administration's Housing Act is a constructive factor in the building situation; however, small residential building projects may be deliberately held back until new lending agencies begin to function (February 14).	Passage of the Housing measure has far-flung potentialities for stimulating business; though it will take time to become fully operative, it should persistently strengthen the basis for recovery (February 5).	Bu on a will priva ging mode
AGRICULTURE	The price index of farm products dropped in January to a new low for the current decline; current evidence continues to support the prospect that farm income in 1938 will be substantially smaller than in 1937 (February 12).	This season's bumper tobacco crop netted a cash income nearly one-third larger than a year ago; Kentucky tobacco farmers will receive about \$58,800,000, No. Carolina around \$154,800,000, Tennessee and So. Carolina about \$36,975,000 (February 14).		Op bill provi voked farm heavy
COMMODITY PRICES	If American manufacturers find the demand for their commodities materially curtailed, they may endeavor to increase their exports even at the expense of lowering prices (February 5).	Wholesale commodity prices are being carried too low in many instances; however, they are working to a basis from which a resumption of the general upward trend is expected (February 14).	Commodity prices during January were only slightly lower, with some items beginning to show strength; the probability is that commodities will gradually strengthen (February 5).	TH an in mala way of ra
LABOR AND WAGES	It is probable that the ranks of the unemployed were augmented last month by approximately another million persons and that the total number of unemployed in January was in the vicinity of 12,000,000 (February 5).	Strikes declined substantially in January; peace between the CIO and AFL is near; though employment and payrolls present a gloomy picture, we believe that all lost ground will be recovered and generous gains made later in 1938 (February 14).	It is significant that a recent agreement between U. S. Steel and the CIO permits reopening of terms on 10-day notice; thus, if steel prices should be cut, the question of wage reductions could be promptly considered (February 11).	A is be howe drastuary
FOREIGN TRADE AND CONDITIONS	The value of merchandise exported from the United States in 1937 amounted to \$3,346,000,000, as compared with \$2,456,000,000 in the previous year; this was \$262,000,000 more than the value of imports (February 5).	In Canada, current prospects favor a volume of retail trade for the spring months averaging some 10% below the same period in 1937 (February 14).	An event abroad which did not receive much publicity, yet is another straw pointing to revival of the international flow of trade and capital, was England's decision to relax the previous ban on foreign loans (February 5).	In doub ment contin

# CONDITIONS AND FORECASTS

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February, 1938

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BUSINESS WEEK	DUN'S REVIEW	CLEVELAND TRUST COMPANY	NATIONAL CITY BANK
<p>The reduction of labor costs and other needed readjustments will go forward steadily, pointing toward a spring pick-up in business and a more solid recovery later in the year (February 12).</p>	<p>With no developments to warrant a sudden change in trend, industrial and financial markets continued in an irregular sideways course; in the absence of price advances, orders were held to a minimum (March).</p>	<p>It seems likely that the present business relapse will develop an uneven floor extending through at least several months, and that the following recovery will move upward much more slowly than the decline went downward (February 15).</p>	<p>The prevailing opinion of business men seems to be that the recession will pass through its low point during the first quarter, and possibly is already doing so; expectations as to the rate of recovery are conservative (February).</p>
<p>Credit is getting tighter; manufacturers, wholesalers, and retailers are clamping down; commercial loans have been steadily declining; for the first time in five years, insolvencies have turned definitely upward (February 12).</p>	<p>Bank clearings, 22 U. S. cities, January, \$21,797,911,000, 15.5% below December, 19.9% below a year ago; Adjusted Insolvency Index (Failures) January, 59.3, compared with 53.7 in December and 37.4 a year ago (March).</p>	<p>The exceptional rise in national income paid out in December, 1936, and December, 1937, was caused by unusual dividend disbursements of corporations resulting from the new taxes on earnings (February 15).</p>	<p>January brought a heavy seasonal redeposit of currency in the banks; short-term money rates remained unchanged, save for a temporary easing of rates for Treasury bills; loans of weekly reporting member banks continued to decline (February).</p>
<p>Though Roosevelt is wary, underwriting houses are gaining serious consideration in Administrative circles for permitting national banks again to underwrite securities (February 12).</p>	<p>Bond averages recovered from their January lows; stock trading during the last part of January and early February was dull, prices showing modest advances and declines, but on the average no definite upward or downward trend (March).</p>	<p>Stock prices have held fairly close to the low levels reached in the sudden break of last October (February 15).</p>	<p>During January the bond market was featured by pronounced weakness in the railroad group, reflecting general pessimism as to the railroad outlook induced by the Erie receivership and increasingly poor earnings reports (February).</p>
<p>It is not probable that production in February will show much or any improvement, or that the month will be other than disappointing; however, there is ground for greater confidence in the March outlook (February 12).</p>	<p>January and early February furnished scattered signs of industrial revival, but on the whole these were confined to consumer lines in which advances are usual at this season of the year (March).</p>	<p>Index of industrial production for January was 36.3% below normal (preliminary estimate); the decline has apparently lost its momentum, and index figures for the next several months should not differ greatly from that of January (February 15).</p>	<p>Steel mill operations have expanded to 32.7% of capacity; however, preliminary figures indicate that composite production indexes for January will be a point or two lower than for December (February).</p>
<p>Anti-chain store legislation is a real prospect as a result of the little business men's conference, but a federal law to hamstring the chains probably won't be enacted this year (February 12).</p>	<p>Dun's Review Trade Barometer, seasonally adjusted, 91.8 in December, 0.5% below November, 9.8% below last December; January sales centered attention on lines which had suffered most from the mild weather and recent drop in buying (March).</p>	<p>Retail sales of new automobiles in Detroit and Cleveland were only about one-third as great in January as they were in the same month last year (February 15).</p>	<p>The most encouraging reports of business have come from retail trade; final figures for December show that department store and mail order house sales declined less than 2% in dollars below 1936; chain store sales increased slightly (February).</p>
<p>Building trade groups are rallying on a wide front to draft campaigns that will capitalize on the new housing law; private capital and industry are plugging for a revival in construction and modernization (February 12).</p>	<p>January volume of building permits (215 cities) \$146,849,695, 23.7% above December, 114.2% above a year ago; the yearly increase was due largely to a jump in New York City permits (March).</p>		<p>Building contract awards during the first three weeks of January were a little larger than a year ago by reason of increased public works, but residential awards were down 50% and non-residential 49% (February).</p>
<p>Opposition to the revamped farm bill centers on the marketing quota provisions, although they can be invoked only by a two-thirds vote of the farmers and can be voted on only when heavy surpluses impend (February 12).</p>			<p>Supplies of farm products, especially cotton and feed grains, are large; farm income in December declined 10% (February).</p>
<p>The first cut in steel prices has given an impetus toward correction of price maladjustments, which will clear the way for a general upturn in the buying of raw materials (February 12).</p>	<p>Minor fluctuations characterized Dun &amp; Bradstreet's Daily Commodity Price Index during the latter part of January and early February; but rallies were not strong, and by mid-February the index was the lowest since 1934 (March).</p>	<p>The sensitive indexes of wholesale commodity prices have become stabilized; the Moody index dropped from 210 in August to 145 in November, and has since then been holding close to 150 (February 15).</p>	<p>The opening month of the new year has brought a spotty improvement in commodity markets, but nothing like a general revival; manufacturers have moderately increased their purchases of raw materials (February).</p>
<p>A moderate reduction in wage rates is both unavoidable and wholesome; however, there is no possibility of a drastic liquidation of wage rates (February 12).</p>	<p>Factory employment and payrolls declined further from December to January; relief applications increased sharply, and the President asked for additional funds to care for the rise in unemployment during the coming 5 months (March).</p>		<p>According to Government calculations, industrial payrolls during December were off 15% (February).</p>
<p>In Great Britain the recession is undoubtedly spreading, and unemployment is mounting; the business sag continues in Canada (February 12).</p>	<p>During 1937 total exports and imports were the highest since 1930, the United States' "favorable" balance amounting to \$262,000,000; this was the forty-fourth consecutive year in which exports exceeded imports (March).</p>	<p>There has been a moderate decrease in the volume of international trade; it is still uncertain whether or not our business collapse is going to result in a new depression in the rest of the world (February 15).</p>	<p>Foreign purchases of American machine tools in December constituted 63% of the total orders; the International Committee has reduced the rubber export quota to 60% for the second quarter of 1938, against 70% at present (February).</p>



# HUNDREDS ADVISE ON PRODUCTION PROGRAM

**Program Plans are Based on Actual Needs of Factory Executives; "Meeting Business Changes" and "The Human Element in Production" are Principal Topics Asked For**

This year's Conference of the Production Division of the American Management Association has truly been designed to meet present-day needs. Hundreds of executives with production responsibilities have been consulted by means of personal contact and questionnaire in order to determine the subject matter which will be most practical and helpful at this time. The meeting will be held on April 20-21 at the William Penn Hotel, Pittsburgh, Pa.

The Conference Planning Committee, under the direction of Mr. Earl M. Richards, Assistant to the Vice-President in Charge of Operations, Republic Steel Corporation, and Vice-President of the AMA Production Division, has met from time to time to discuss and analyze the information received in this way. Accordingly, the Committee has drawn up the program with the assurance that it will most nearly fit the needs of those who will attend.

The Conference will emphasize two timely responsibilities of the production executive—"The Human Element in Production" and "Gearing Operations to Quick Changes in the Business Outlook." Specific papers under these heads will include "Getting Management's Viewpoint to Employees," "Methods of Sounding Out Employee Attitudes," "Foreman Training," "Developing Junior Executives," "Advance 'Danger Signals' and How to Act on Them," "How Specific Companies Prepare for Sudden Changes," "Job Analysis and Rate Setting to Meet Today's Wage-Payment Problems," and "Payment by the Year."

## **Wage Payment**

An entire afternoon has been set aside for a discussion on wage payments, and will be devoted largely to the very important subject of payment by the year. Several speakers will present briefly the specific experiences of their own companies, and will then be prepared to answer questions put to them by the audience. At this session, also, Mr. D. W. Weed of the General Electric Company will discuss job analysis and rate setting. Professor Erwin H. Schell, of the Department of Business and Engineering Administration, Massachusetts Institute of Technology, will preside.

"Methods of Sounding Out Employee Attitudes" will be presented by J. David Houser, The Houser Associates, Inc. W. O. Jelleme, Division Manager, Pacific Mills, will discuss "How Specific Companies Prepare for Sudden Changes." Allan H. Mogensen, Consultant in Work Simplification, and Clarence C. Gates, Manager, Maxwell House Division of General Foods Corporation, New York, will present papers on foreman training. Mr. Charles P. McCormick, President of McCormick & Company, Baltimore, Maryland, will

present a paper on "Developing Junior Executives."

The significance of the session on Gearing Operations in the Business Cycle is obvious. We have been witnessing a business recession that has been more sudden than any in our experience, and operating executives from all parts of the country, in all types of industries, have urged the Committee to arrange for a practical discussion at this year's meeting of the problems it has raised.

## **PACKAGING SHOW IS UNDER WAY**

In progress this week in Chicago is the Eighth Packaging Exposition and Conference which is sponsored annually by the AMA. An attendance of many thousands of persons who deal in packaged merchandise is expected at the Exposition. The conference will take up discussion of three different phases of packaging and will also have sessions on problems of packing and shipping.

The sessions which are given over to unit packaging will be featured by the presentation of the Wolf Awards by Irwin D. Wolf, Vice-President of the Kaufmann Department Stores of Pittsburgh, Pa. Winner of the Wolf Trophy this year is the Hoover Vacuum Cleaner Company's vacuum kit.

## **Congress Forming Program**

Reports from the planning group of the Seventh International Management Congress, which is to be held in Washington, D. C., September 19-23, indicate that considerable progress has been made in setting up the program of discussion.

The distinction is being carefully preserved between the "technical" and the "general" or public sessions of the Congress. In the general sessions there will be no discussion, but a series of direct addresses, by men of international reputation.

## **Insurance Conference Set for May 9th-10th at Atlantic City, N. J.**

The Ninth Annual Meeting of the Insurance Division of the AMA will be held on May 9-10, it is announced by Joseph H. Nickell, Insurance Manager of the Philadelphia Electric Company, and Vice-President of the AMA's Insurance Division.

The Conference will be held as it was last year at the Chalfonte-Haddon Hall, Atlantic City, New Jersey, Mr. Nickell said.

Solton Engel, Insurance Manager of the Consolidated Edison, who is Chairman of the Program Committee, announced that as a result of several meetings of his committee it has been decided to divide the four sessions of the conference into two major discussions: one day on specific insurance problems, and another on the general problems of insurance management.

## **THE RECESSION PICTURE**

(Continued)

the question may be asked: Will this sentiment of disillusionment sift down to the ranks of labor?

In effect he says: The nation is drifting into economic bankruptcy and collapse. We have reached the amazing condition where it appears that practically all of our major enterprises are unable to exist or function on their own resources. Banking, shipping, farming, and countless business units are subsidized in some way by Federal funds. Since 1933 seven billions of dollars has been paid to the unemployed in direct or work relief. This money has trickled through the tills of the nation's shopkeepers.

"Shut-downs have been the order of the day . . . neither government nor industry has come forth with constructive proposals to meet the problems of the depression. The Federal Congress, lacking adequate or competent leadership, in continuous session for months past has failed to devise or enact a single statute that would cause a glimmer of hope to penetrate the minds of millions of despairing Americans.

"It is time for Americans to cooperate. It is time for Americans to recognize each other's right of individual existence. It is time for capital to recognize labor's right to live and participate in the increased efficiency of industry and the bounties of our national resources."